

Government Ownership of Railroads, and War Taxation by Otto Hermann Kahn. txt
it laid otherwise and fatuous folly to endeavor to have it laid otherwise.

We all agree that the principal single sources of war revenue must necessarily be business and accumulated capital, but these sources should not be used excessively and to the exclusion of others. The structure of taxation should be harmonious and symmetrical. No part of it should be so planned as to produce an unscientific and dangerous strain.

The science of taxation consists in raising the largest obtainable amount of needed revenue in the most equitable manner, with the least economic disturbance and, as far as possible, with the effect of promoting thrift.

The House Bill proposes to raise from income, excess or war profit and inheritance taxes \$5,686,000,000 out of an estimated total of \$8,182,000,000. In other words, almost seventy per cent. of our stupendous total taxation is to come from these few sources. It seems to me that the effect and meaning of this is to penalize capital, to fine business success, as well as thrift and self-denial practised in the past, thereby tending to discourage saving.

The House Bill fails, on the other hand, to impose certain taxes the effect of which is to promote saving. Intentionally or not, yet effectively, it penalizes certain callings and sections of the country and favors others.

Let me say at the outset that my criticism does not refer to the principle of an eighty per cent. war profits tax. Indeed, I have from the very beginning advocated a high tax on war profits. To permit individuals and corporations to enrich themselves out of the dreadful calamity of war is repugnant to one's sense of justice and gravely detrimental to the war morale of the people.

Strictly from the economic point of view, the eighty per cent. war profits tax is not entirely free from objection. Whether England did wisely on the whole in fixing the tax at quite so high a rate is a debatable point, and is being questioned by some economists of high standing in that country, not from the point of view of tenderness for the beneficiaries from war profits, but from that of national advantage.

Moreover, conditions in America and England are not quite identical and I believe it to be a justifiable statement that British industry is better able to stand so high a tax than American industry, for reasons inherent in the respective business situations and methods.

However, everything considered, circumstances being what they are, I believe the enactment of the proposed eighty per cent. war profits tax to be expedient, provided that, like in England, the standard of comparison with pre-war profits is fairly fixed and due and fair allowance made, in determining taxable profits, for such bona fide items of depreciation and other write-offs as a reasonably conservative business man would ordinarily take into account before arriving at net profits.

Amongst the principles of correct and effective taxation, which are axiomatic, are these:

1. No tax should be so burdensome as to extinguish or seriously jeopardize the source from which it derives its productivity. In other words, do not be so eager to secure every possible golden egg, that you kill the goose which lays them.
2. In war time, when the practice of thrift is of more vital importance than ever to the nation, one of the most valuable by-products which taxation should aim to secure is to compel reduction in individual expenditures.
3. Taxation should be as widely diffused as possible, at however small a rate the minimum contribution may be fixed, if only to give